Annual Member Meeting 2022

Questions addressed at meeting

Member question	State Super answer
How are the annual changes to the State Super pension payments determined?	After two decades of relatively low inflation in many world economies, a marked upswing has been recorded over the year. Over the twelve months to the June 2022 quarter, the “All Groups Weighted Average of 8 Capital Cities” Australian CPI rose 6.1%. The annual rise in the national CPI is the largest since the introduction of the goods and services tax (GST). Each year in October the amount of your State Super pension is adjusted to reflect the percentage movement in “All Groups Index for Sydney” CPI from one June quarter to the next June quarter. The movement in the CPI (All Groups Sydney Index) from 30 June 2021 to 30 June 2022 was 5.3%. **The adjustment rate for State Super pensions was therefore 5.3% for the 2021/2022 financial year.** In accordance with scheme legislation, State Super pensions were adjusted from the first pension payday in October 2022. Pensions commencing during the first three quarters in the financial year receive a partial CPI adjustment, while no adjustment is made to pensions commencing in the final quarter.
How is State Super’s investment performance compared with other super funds?	We believe we have been successful in setting and implementing appropriate investment strategies to respond to the need for ambitious investment objectives, with the significant challenge of negative cashflow. We pay out more each month, than we receive. This means we have to constantly rebalance our portfolios, and we don’t have the luxury of new cashflow allowing us to respond to opportunities. And yet, our processes and systems have enabled State Super to achieve superior risk adjusted returns. We believe we can and will continue to ably respond to investment challenges. As members retire, our challenges of managing the retirement process, and in managing those that stay with us as pensioners, continue. Over and above this, over the last few years we have focused extensively in mitigating the risk of transitioning the administration system to a more contemporary one. To date, all stages have been successful, but only because at times, we brought a risk lens, based on our belief that we should always:

	• Act with fairness, integrity and openness • Make it easy for members to understand their unique scheme • Help members maximise their State Super benefits • Be a trusted guardian of members' funds As our members change, we will continue to deliver services to each and every remaining member, understanding that our fund will be operating well into 2080's. And our deep experience will enable us to continue to bring innovative solutions and to continue to build resilience into our organisation. Resilience that has enabled State Super to rapidly respond to opportunities to transact assets – such as the sale of Port of Geelong – for the benefit of members. Our member research has shown time and again, extremely high levels of satisfaction with the services and investment returns we achieve.
Why can't you make it possible for a SASS member to make a Death Benefit Nomination by amending the SASS legislation to enable a SASS member to make the decision?	SASS benefits are paid as per the rules contained in the SASS legislation, which means that in the event of a member's death benefits are paid to a surviving spouse or de facto partner - if one exists at the time of the member's death - or otherwise to the personal representative of the member's estate. Currently the legislation does not provide for binding death benefit nominations to be made. Where a benefit is likely to be paid to the personal representative of a member's estate, a member can stipulate where it is paid under the terms of their Will. Binding nominations are optional for superannuation funds and were introduced as an option to provide greater certainty around where death benefits will be paid. The need for greater certainly was because the trustee of a superannuation fund generally has the final say on who receives a member's superannuation benefits in the event of their death, therefore creating the possibility that benefits may not end up being paid to the intended beneficiary. Binding nominations were introduced to remove this uncertainty, as it allows members to nominate where their benefits should be paid. State Super differs from other superannuation trustees in that it does not have discretion in determining how to pay benefits but is required to pay benefits strictly in accordance with the legislated fund rules. It should be noted that even where a superannuation fund elects to accept binding nominations, there are limitations on who can be nominated. A binding nomination can only be made in favour of a person's spouse, their children, someone who has an inter-dependency relationship with the deceased member or to the legal personal representative of the member's estate. Therefore, while binding nominations do give members the ability to nominate beneficiaries, it is more limited than who can be nominated in a member's Will.

	For State Super to be able to accept binding death benefit nominations in the future it would be necessary for the SASS legislation to be amended to explicitly allow for it. This would require the passage of amending legislation through the NSW Parliament. Currently no such amending legislation is proposed, but the adequacy of fund rules are reviewed on an ongoing basis. Should the situation with binding nominations change members would be advised well in advance of the change being made.
With all the recent attention on Cyber Security, can you explain what measures State Super has in place to keep our data safe?	The recent security incidents clearly raise a concern for our members and also the Trustees. Protecting the information and accounts of our members is a key priority for the Trustee and our administrator, Mercer. Mercer actively manages against the risk of external fraud through a suite of controls, which they review and update periodically. The controls can include administrative, physical and technical safeguards to protect the confidentiality and integrity of your personal information and data that we use and hold. In relation to the recent cyber security incidents, we've put in place some additional measures and controls to ensure that we validate unusual behaviour on a member's account. We're performing additional checks where members are seeking to update personal information and we've put in place mechanisms to protect concerned members who are contacting us to proactively protect their accounts. In the new year, we're introducing SMS alerts for payments as an enhancement to our existing controls. The trustee and Mercer continue to monitor the situation and we'll continue to take steps to ensure your data is secure and that you continue to receive the best possible service.
How will the State Super schemes be funded into the future and are the payments guaranteed by the government?	Depending on who employed you, and which scheme you are in, the obligation to meet any residual funding varies. For the majority of members, it is the State Government, who has announced a plan in the budget to provide contributions to meet a full funding target by 2040. Importantly, the fund right now has around $26bn in assets to meet the future payments of pensioners and this money belongs to members. For members who worked in agencies or companies that are government or private enterprises, in all these instances the requirement is for full funding. For the Universities, we have struck an agreement with the State and Federal Government to pay each year, the following years commitments in payments. For good measure we hold one year of payments in cash.
Why did the government have a contribution fund holiday for 2 years	Governments have to always balance the short term with the long term, and COVID-19 led to a decision to pause payments for government linked members, for two years. It is unlikely to have

when the fund future outlook was for a deficit for many years?	any effect on our payments to members because we have around $26bn in assets and a commitment by the government to fully fund the scheme by 2040.
What is your position on fossil fuels and other projects that impact the world's climate?	We agree that climate change presents significant long-term investment risks and we have endorsed the 'Paris Agreement' acknowledging the principles of a 'Just Transition' to a low carbon economy which is reflected in our **Climate Change Statement** and our climate principles. Two key principles are that investment decisions are made based on the best financial outcomes for members and that the costs and benefits of negative screening or exclusions (i.e. excluding thermal coal) should be balanced before being implemented. As part of our investment approach, we integrate climate change risks and opportunities into our investment processes and expect our investment managers and advisors to integrate these throughout their investment process. Along with many other investors, we take an engagement approach for our companies, leveraging principles of a Just Transition to a lower carbon economy, and contributing to whole of society decarbonisation. Some of the measures we take are: • Measuring and monitoring Scope 1 and 2 emissions for our public equities, property and infrastructure assets. • Undertaking physical risk analysis for our real assets. • Introducing carbon reduction strategies in our portfolio, including constraining the amount of carbon in some of our investments and potential benefit from this trend such as the examples presented before. We also advocate for, and participate in, industry groups to advance climate change initiatives, including: • Being a signatory to the Principles for Responsible Investment (PRI) • Proxy voting at Annual (or Extraordinary) General Meetings of Australian companies, including supporting climate resolutions. • Being a Foundation Member of Australian Council of Superannuation Investors (ACSI) and member of industry groups such as the Investor Group on Climate Change. • Being a founding member of the Australian Sustainable Finance Institute (ASFI). Engagement with companies, as part of a collective group is a meaningful way to communicate expectations. As part of our stewardship activities, we engage with companies rather than

	divest to drive change and encourage stronger company climate approaches.

Additional member questions submitted

Member question	State Super answer
Why do you not hitch on to the investments of the Federal Future Fund. Is it's return better than yours?	Future Fund has a different mandate and investment horizon. The mandated return is CPI + 4% to 5% and there are no publicly available risk statistics. Additionally, Future Fund has a mandate to invest for the long term whereas State Super's primary purpose is to ensure benefit payments are being made as they fall due. This represents a shorter investment horizon.
If a member has a will in place and in that will it is stated that the balance of proceeds left in the members fund be paid to the nominated beneficiaries, is that acceptable to the fund?	In the event of the death of a SASS member, the benefit will be paid to the eligible spouse or de facto partner. On the death of a contributor who is not survived by an eligible spouse or de facto partner, the benefit will normally be paid to the personal representatives of the deceased's estate. Please refer to SASS Fact Sheet 8: Death Benefit for further information.
What % is Aussie investment?	State Super's Pooled Fund investment in Australia is 53.7% as at 30 November 2022, which is ~ $21Billion in AUD.
Do I have to leave SASS when I am 70?	Current scheme legislation provides that on reaching age 70, contributions and benefit accrual must cease and you must be paid the benefits to which you are entitled on retirement at that age. Alternatively, you may defer your benefit within SASS, but only if you continue to be employed for at least 30 hours a week. You may also elect to rollover your benefit to another complying superannuation scheme. Refer to Fact Sheet 2: Contributions.
How do I maximise my benefits?	Our State Super Customer service team can provide you with information specific to your membership. Call 1300 130 095.
For netzero how much and where have you invested in Australia?	Our Net-Zero commitment applies at the Pooled Fund level and covers all investments excluding cash and alternatives (based on data availability). Please refer to the below table for investment breakdown:
	Equities — 4,974,369,111 — 12.8% Fixed Income — 2,709,720,853 — 7.0% Cash — 564,681,735 — 1.5% Alternatives — 12,655,314,821 — 32.5% **Total Australia — 20,904,086,521 — 53.7%** Total Pooled Fund — 38,891,756,021
Is State Super ever likely to index twice a year like everyone else?	The legislation currently stipulates that CPI is applied once a year. Unless this is changed, CPI will continue to be applied once a year to your State Super pension.

Equities	4,974,369,111	12.8%
Fixed Income	2,709,720,853	7.0%
Cash	564,681,735	1.5%
Alternatives	12,655,314,821	32.5%
Total Australia	**20,904,086,521**	**53.7%**
Total Pooled Fund	38,891,756,021	

Can members of SSS find out the investment mix of their scheme? Specifically, to what extent are these funds invested in fossil fuel companies, or other companies that might have a limited social licence, such as tobacco?

Please refer to the following table regarding investment mix of your scheme as well as on our website
https://www.statesuper.nsw.gov.au/investments/strategies

As of : 19-Dec-2022						
	Growth		Balanced		Conservative	
	5.58B		1.26B		.49B	
Asset Class	**AAA $**	**AAA %**	**AAA $**	**AAA %**	**AAA $**	**AAA %**
Australian Equities	1461.8	26.3%	237.6	18.9%	56.1	11.6%
International Equities	1446.8	26.0%	290.3	23.1%	72.4	14.9%
Developed Market Equities	1349.1	24.2%	270.7	21.5%	67.5	13.9%
Global Decarbonisation Enablers	97.6	1.8%	19.6	1.6%	4.9	1.0%
Emerging Market Equities	325.4	5.8%	49.0	3.9%	7.1	1.5%
Liquid Growth	**3234.0**	**58.1%**	**576.8**	**45.9%**	**135.6**	**28.0%**
Infrastructure	587.1	10.5%	132.5	10.5%	51.2	10.6%
Property	385.8	6.9%	87.1	6.9%	33.6	6.9%
Liquid Alternative	414.7	7.4%	35.1	2.8%	4.5	0.9%
Private Markets	227.7	4.1%	25.7	2.0%	5.0	1.0%
Alternative Debt	285.9	5.1%	50.2	4.0%	13.9	2.9%
Alternatives	**1901.3**	**34.2%**	**330.6**	**26.3%**	**108.2**	**22.3%**
Fixed Interest	168.4	3.0%	66.5	5.3%	33.0	6.8%
Income	141.7	2.5%	85.3	6.8%	78.2	16.1%
Defensive Strategies	13.1	0.2%	2.9	0.2%	1.1	0.2%
Cash	96.1	1.7%	192.6	15.3%	128.3	26.5%
FX Overlay	12.5	0.2%	2.1	0.2%	.4	0.1%
Liquid Defensive	**431.8**	**7.8%**	**349.4**	**27.8%**	**241.2**	**49.7%**
Fund Total excl Cash Option	**5567.1**	**100%**	**1256.8**	**100%**	**485.0**	**100%**

We disclose our investments on our website and outline the approach to exclusions in our Responsible Investment Policy (at 4.5) available through the website and on request.

As part of that policy, State Super prefers to engage with investee entities and managers rather than divesting. There are, however, a few areas where we have determined that it is in members best financial interest to divest, rather than engage. These include:

- Tobacco: Companies classified as manufacturers of cigarettes and other tobacco products under the Global Industry Classification Standard (GICS) methodology.

- Controversial weapons: Companies involved (based on certain financial thresholds) in the manufacture or production of controversial weapons including cluster bombs, landmines, depleted uranium weapons, chemical and biological weapons, blinding laser weapons, non-detectable fragments, and incendiary weapons (white phosphorus).

	• Russian investments: Companies designated as Russian financial assets. With regard to fossil fuel companies, we have not divested and consider, as a fiduciary for members, that engagement is currently still in the best financial interests of members. We agree that climate change presents significant long-term investment risks and we have endorsed the 'Paris Agreement' acknowledging the principles of a 'Just Transition' to a low carbon economy which is reflected in our Climate Change Statement and our climate principles. Two key principals are that investment decisions are made based on the best financial outcomes for members and that the costs and benefits of negative screening or exclusions (i.e. excluding thermal coal) should be balanced before being implemented. As part of our investment approach, we integrate climate change risks and opportunities into our investment processes and expect our investment managers and advisors to integrate these throughout their investment process. Some of the measures we take are: • Measuring and monitoring Scope 1 and 2 emissions for our public equities, property and infrastructure assets. • Undertaking physical risk analysis for our public equities, property and infrastructure assets. • Introducing carbon reduction strategies in our portfolio, including constraining the amount of carbon in some of our investments. Engagement with companies, as part of a collective group is a meaningful way to communicate expectations. As part of our stewardship activities, we engage with companies, rather than divest to drive change and encourage stronger company climate approaches.
I am 79, will my super ever stop?	Your State Super pension is payable as long as you live.
Do the investments by the Fund meet international standards for Environmental protection, worker justice and anti-corruption?	We also advocate, and participate in, industry groups to advance climate change initiatives, including: • Being a signatory to the Principles for Responsible Investment (PRI) • Proxy voting at Annual (or Extraordinary) General Meetings of Australian companies, including supporting climate resolutions. • Being a Foundation Member of Australian Council of Superannuation Investors (ACSI) and member of industry groups such as the Investor Group on Climate Change. • Being a founding member of the Australian Sustainable Finance Institute (ASFI). We incorporate climate considerations in our due diligence and have visited member assets to talk about ESG considerations (including environmental and potential chemical exposures) in line with appropriate standards.

	This year, we had a member of the investment team participate in a working group for just transition, to enable us to understand and integrate workers' rights more thoroughly. We also distribute a comprehensive modern slavery questionnaire to our investment managers and engage on these topics regularly. We have regard to Transparency International when making investment decisions on your behalf.
Willing State Super Pension. What are the guidelines? I am willing my state super pension to my partner of 24 years. What do I need to know?	For the SSS scheme, there is generally a reversionary pension payable to an eligible spouse who satisfies the following criteria: An eligible spouse or de facto partner of a deceased pension member is: a) the widow or widower of the deceased, or b) a person in a registered relationship or interstate registered relationship with the deceased within the meaning of the Relationship Register Act 2010, or c) a person who was in a de facto relationship - within the meaning of the Interpretation Act 1987 - with the deceased at the time of the deceased's death. A de facto partner may be a person of either the opposite sex, or if the deceased dies on or after 19 January 2001, the same sex. A spouse or de facto partner of a deceased pension member will qualify for a benefit only if they were the pension member's spouse or de facto partner before the deceased pension member became entitled to a pension under the SSS Act and remained so until the death of the pension member. Please refer to SSS Fact sheet 11: Death of a scheme member after retirement for further information.
Does a superannuation pension ever increase? Cost of living rising all the time why doesn't my pension increase?	The legislation currently stipulates that CPI is applied once a year to your State Super pension.
Is out-sourcing onshore or off-shore?	All of our out-sourcing is done on-shore.
Could CPI reporting be provided more frequently to enable future budgeting improvements?	The legislation currently stipulates that CPI is applied once a year. Unless this is changed, CPI will continue to be applied once a year to your State Super pension.